

General Assistance Aids Comprehensive Development Strategies

Recent U.S. Department of Agriculture initiatives have helped to concentrate various forms of assistance in places with great needs, such as in high-poverty areas in the South and in timber-dependent areas in the Pacific Northwest. Economic Development Administration and Federal Emergency Management Agency programs have recently concentrated general assistance in places affected by natural disasters.

General development assistance facilitates the planning and coordination of government, private, and nonprofit sector resources to promote economic and community development. It comes in various forms and can be used in conjunction with many other programs, including infrastructure, business, and housing programs covered elsewhere in this report. Its flexibility makes general assistance ideal for comprehensive development strategies. It is also well suited for responding to problems unique to particular places or situations, such as in persistently poor places and in places adversely affected by natural disasters or structural economic changes.

Among the most important of such programs for rural areas are USDA's rural Empowerment Zone and Enterprise Community (EZ/EC) program and the Cooperative State Research, Education, and Extension Service's (CSREES) planning and technical assistance activities, the Commerce Department's Economic Development Administration's (EDA) planning and technical assistance grants and economic adjustment grants, the Department of Housing and Urban Development's (HUD) Small Cities Community Development Block Grant (CDBG) program, the Appalachian Regional Commission's (ARC) regional development programs, and the Federal Emergency Management Agency's (FEMA) disaster assistance. However, other programs also fit within this category.

USDA Has Several Important General Assistance Programs

USDA's EZ/EC program provides tax incentives, grants, and regulatory relief to about 100 high-poverty areas across the country, including 33 rural EZ/EC's (3 EZ's, 30 EC's) designated by the Secretary of Agriculture in December 1994, following a competition in which several hundred communities performed grass-roots strategic planning to create comprehensive plans for economic, community, and human development. The tax incentives go mainly to the EZ's. Each of the rural EZ's also gets \$40 million in general purpose title XX grants from HHS. Each EC gets \$3 million in title XX grants. As part of the Administration's EZ/EC initiative, the EZ/EC's also get priority when applying for other development-oriented grants and loans from various Federal agencies. For example, Congress earmarked \$71 million in fiscal year 1995 and \$67 million in 1996 from USDA's rural development programs for rural EZ/EC's. (Unless otherwise indicated, references to years in this article refer to fiscal years). USDA has also given some technical assistance to "Champion Communities"—rural communities that applied but did not receive EZ/EC designations. Most rural EZ/EC's only began to receive funding late in 1995, so the program's effect is just beginning. The geographic effect of this program has been primarily in the Southeast, Appalachia, the Mississippi Delta, and the Southwest, where rural poverty is greatest.

USDA has also begun to assist Rural Economic Area Partnership (REAP) zones—areas in North Dakota that have experienced significant outmigration and job loss. The first two zones were established in 1995 and received \$25,000 each to develop strategic plans and benchmarking. USDA is committed to providing an additional \$50,000 to capitalize an economic development fund for projects in these zones, and \$10 million over 5 years in USDA development program set-asides.

CSREES's extension activities provide rural people and communities with valuable technical assistance that incorporates research results into practical solutions for rural problems. Because rural communities often lack the trained staff that exists in urban areas to review state of the art approaches to community solutions, these extension activities provide a much-needed service for rural development. Extension activities are provided through Land Grant universities which are spread across the country. Federal funding for

total extension activities declined slightly from \$439 million in 1995 to \$422 million in 1996.

Other USDA programs that provide general development assistance include Rural Economic Development Grants (\$20 million in 1996), and Resource Conservation and Development Areas (\$29 million in 1996). The 1996 farm legislation also authorized the Rural Business Opportunity Grants, which could be used for technical assistance and training, conducting local or multi-county economic development planning, coordination of economic development activities, and leadership development training.

The Forest Service's Economic Recovery and Rural Development programs (\$14.5 million in 1996) assist timber-dependent and persistent-poverty communities in diversifying their economies and building development capacity. In addition to its regular economic action aid, the Forest Service is contributing another \$16 million in specially appropriated economic action funds, plus an additional \$13.5 million in funding from its Jobs in the Woods program, in 1996 to the administration's Northwest Economic Adjustment Initiative. This initiative combines funding from various Federal agencies, including USDA, Interior, Commerce, Labor, and EPA, to provide a comprehensive solution to serious problems in the Northwest. This presidential initiative distributed \$219 million (out of \$260 million in appropriated funds) in Federal grants, loans, and contracts last year for economic and community development in the Pacific Northwest in 1995 in response to economic difficulties associated with declining employment in the forest industry. Total Federal resources for this initiative are expected to remain the same, or perhaps decline slightly, in 1996.

EDA's General Assistance Programs Are Small But Important for Rural Areas

EDA's Economic Development-Technical Assistance Program (\$11 million in 1995) assists economic development in distressed areas. EDA's Economic Development-Support for Planning Organizations (\$22 million in 1995) helps fund planning organizations in multicounty Economic Development Districts, redevelopment areas, and for Native American tribes. The planning support program plays a key role in developing and maintaining planning capacity that is lacking in many distressed rural areas and, equally important, it furthers regional solutions to regional problems. 1996 funding for both of these programs was cut about 10 percent. The technical assistance program was funded at about \$10 million, while the planning program was funded at \$19 million.

EDA's Special Economic Development and Adjustment Assistance Program helps State and local areas develop and implement strategies to adjust to economic difficulties from sudden and severe economic dislocation, such as plant closings, military base closures, defense contract cutbacks, and natural disasters. This program provided \$291 million in 1995 but was held to \$139 million in 1996 (including \$30 million in economic adjustment grants and \$90 million in defense conversion assistance).

Of the three forms of EDA assistance, technical assistance was most widely available in nonmetro areas (fig. 1). Adjustment assistance was the most concentrated of the three programs, with much of its 1994 funding going to Midwestern places affected by the serious flooding and to places in the Northwest affected by problems in the timber industry.

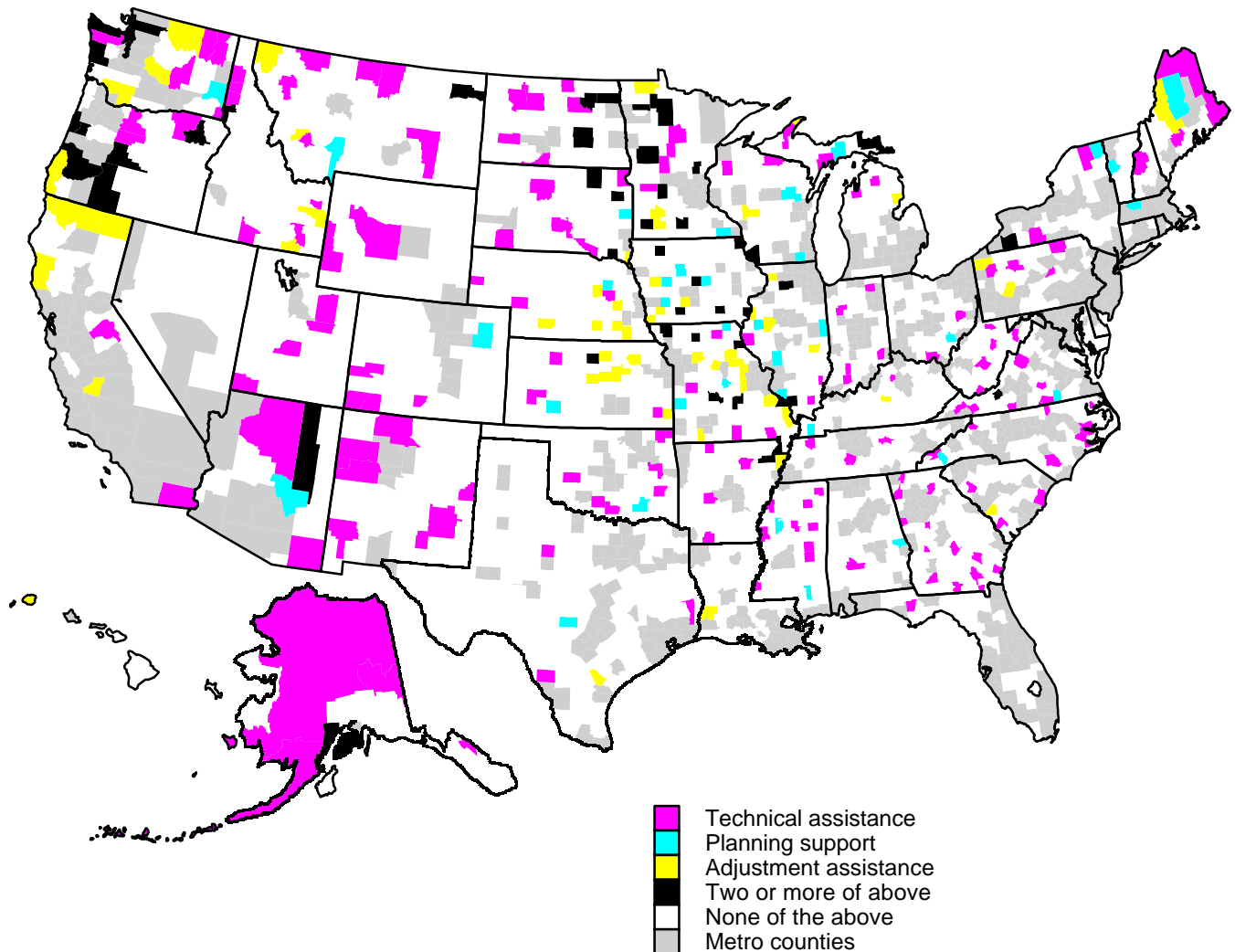
HUD's Small Cities CDBG Program Aids Both Economic and Community Development

The HUD Small Cities block grant program assists only small towns and rural areas outside metro/urban counties. Except in New York and Hawaii, this program is administered by the States, which have broad discretion in how the funding can be used, both in terms of function (housing, infrastructure, and employment generation) and form (grants and revolving loans). Small Cities Community Development Block Grant (CDBG) funds are valued for their flexibility and also for their ability to leverage matching funds from other Federal programs and from private sources.

Figure 1

Counties receiving general development assistance from three EDA programs, fiscal year 1994

Technical assistance is the most common form of general assistance



Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

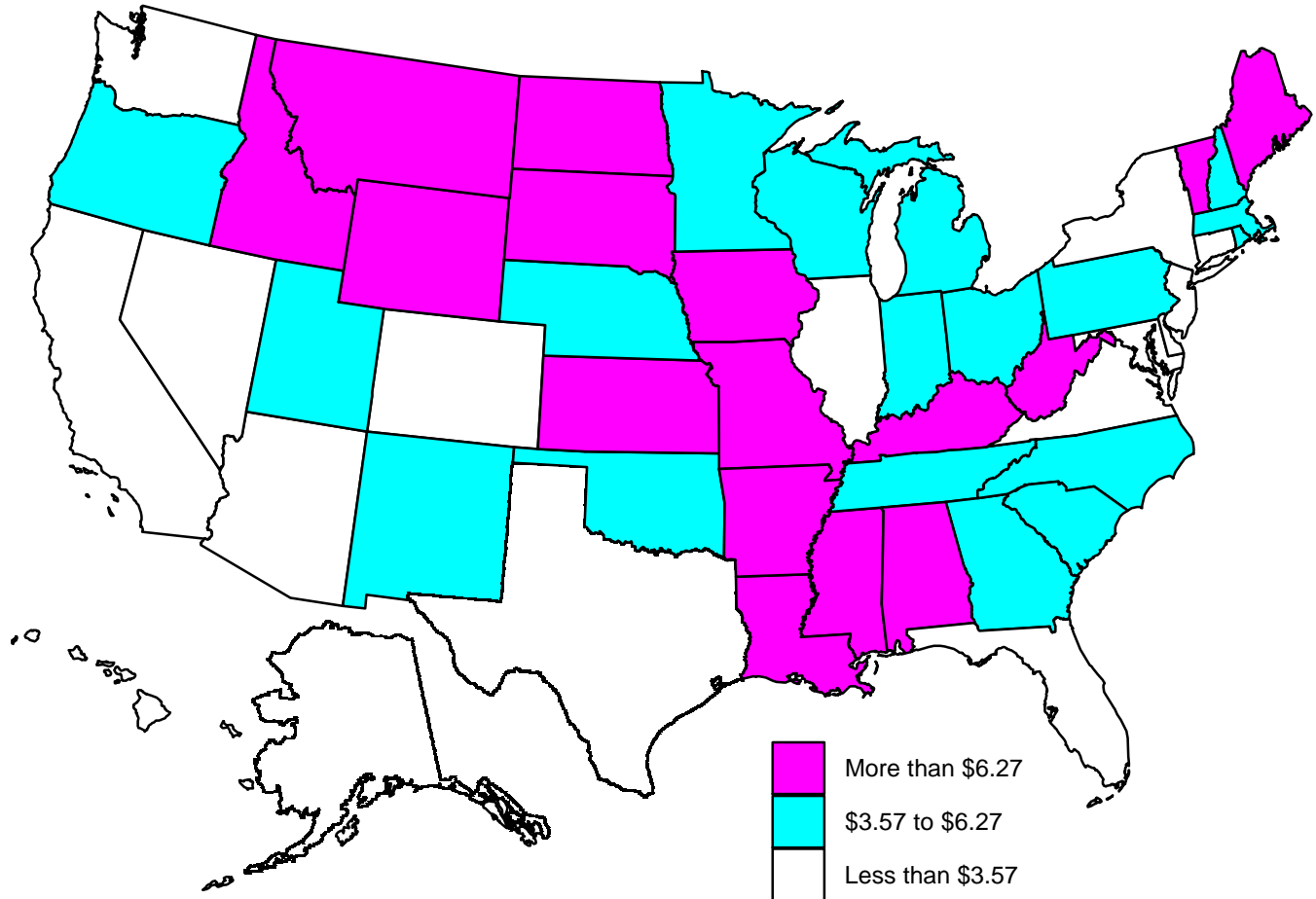
Because this is a block grant, we have no county-level data on local allocations across the country; but State-level data show, not surprisingly, that the program is particularly important to rural States, which receive the highest per capita dollars (fig. 2). When State receipts are measured per nonmetro person, however, a different pattern emerges, showing that nonmetro populations in the Northeast and Midwest States tend to benefit more, and nonmetro populations in Western States (excluding California) benefit less (fig. 3). Thus, while rural States tend to benefit more from this program than urban States, rural populations in some urban States benefit more than rural populations in some rural States. This results from the aid formula that allocates aid among the States. Funding for this program was held constant at its 1995 level of \$1.3 billion.

ARC Provides Comprehensive and Integrated Assistance

Rural Appalachia generally suffers from low incomes and other barriers to development. Federal aid to the Appalachian Regional Commission (ARC) local development districts, though only \$5 million in 1996, plays an important role in planning for rural development

Per capita funding from the State/small cities program in fiscal year 1994

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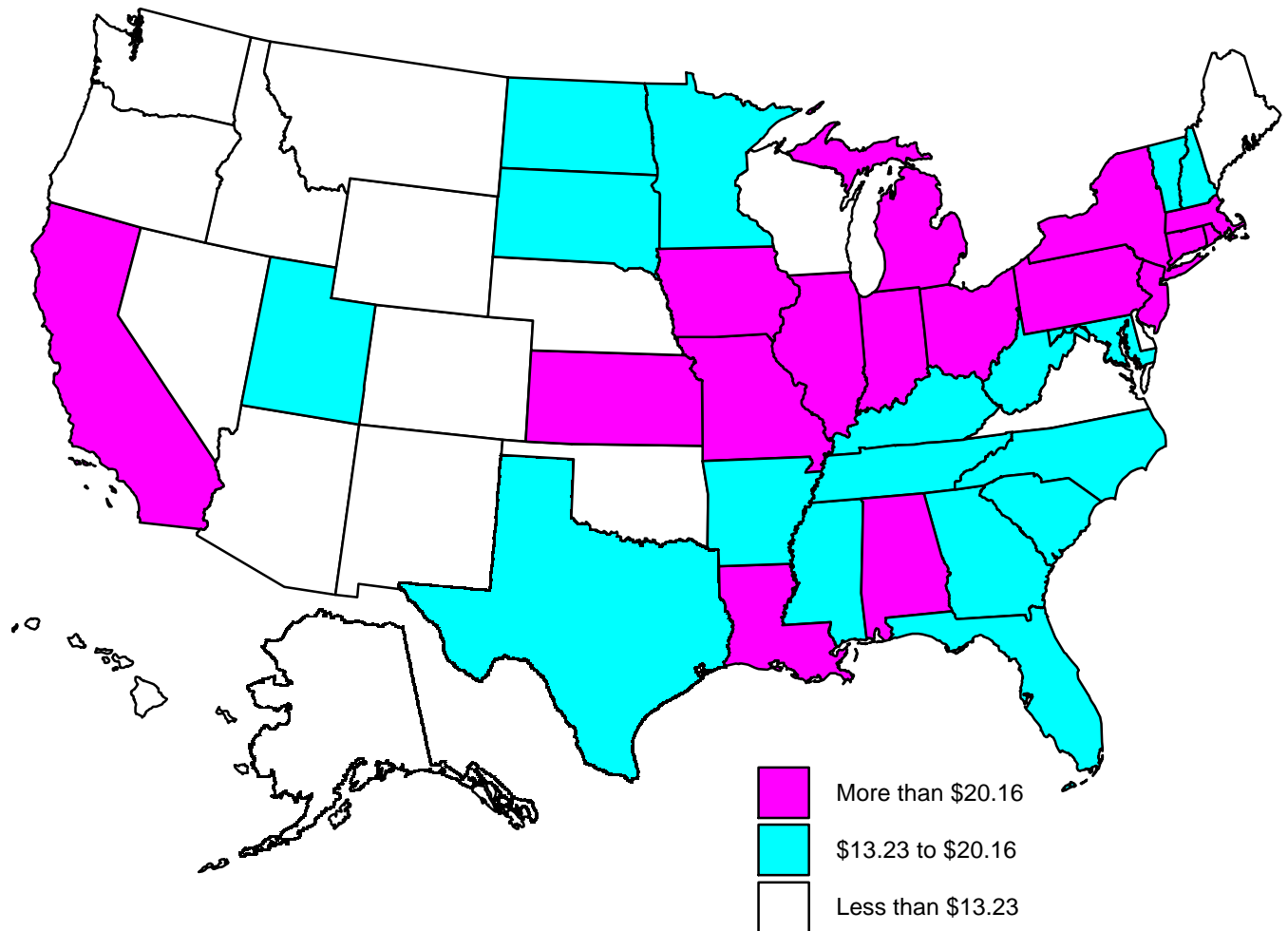
Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

in the region. ARC's largest program is the highway program, \$197 million in 1996, which is substantially higher than \$133 million in 1995. However, ARC's area development programs, which include education, housing, and other forms of assistance, were cut from \$101 million in 1995 to \$92 million in 1996.

FEMA's Disaster Assistance Helps Many Rural Areas

FEMA's disaster assistance program provides cost-sharing grants to State and local governments, nonprofits, and individuals to alleviate suffering and hardship from major disasters or emergencies declared by the President. Although the places assisted vary annually, communities located along rivers, coastal areas, and fault lines tend to benefit most from these programs because floods, hurricanes, and earthquakes usually cause the costliest emergencies. In 1995, FEMA's disaster assistance was funded at \$2.9 billion. The original estimate for 1996 was \$2.8 billion. The Omnibus Spending Act, passed in April 1996, cut this by about \$1 billion. In the event of major new disasters, however, sup-

Figure 3

State/small cities program funding per nonmetro person in fiscal year 1994*Nonmetro funding tends to be higher in the Northeast and Midwest, lower in the West*

Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

plemental budget authority could be added. [Rick Reeder, 202-219-0551, rreeder@econ.ag.gov]